



## **SMALL BUSINESS ADMINISTRATION**

### **Temporary 504 Express Loan Authority for Certified Development Companies**

#### **Participating in the Accredited Lenders Program – Industries with a High Rate of Default**

The Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Pub. L. 116-260) (“Economic Aid Act”) temporarily provides increased authority to Certified Development Companies (CDCs) participating in the Small Business Administration’s (SBA) Accredited Lenders Program (ALP) with respect to 504 loans that are not more than \$500,000 and that are not made to a borrower in an industry with a high rate of default. The authority for ALP CDCs to make ALP Express Loans was implemented through an interim final rule published in the *Federal Register* on June 27, 2022 Vol. 97, No. 122 RIN 3245-AH74.

Section 328(b) of the Economic Aid Act further requires that SBA annually identify the industries with a high rate of default. Accordingly, on an annual basis, SBA will list the industries that it has determined have a high rate of default in a notice published in the Federal Register, with the first list published after the publication of the interim final rule, and annually thereafter.

To comply with this requirement, SBA defines “industries with a high rate of default” as an industry that for the past 5 fiscal years has 50 or more approvals/year and an annualized default rate of 5% or above. Using SBA’s ALP Express risk identification methodology, SBA has determined there are no industries with a high rate of default in the 504 program based on prior SBA 504 portfolio performance. SBA will review and update its analysis and publish an updated list annually through September 20, 2023.

For SBA’s analysis, the industries are analyzed by North American Industry Classification System (NAICS) Subsector Title and three-digit subsector code.

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